PHILIP MORRIS USA INTER-OFFICE CORRESPONDENCE

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TO: Distribution **DATE:** February 28, 1996

FROM: Market Information / Chris Enger

SUBJECT: Nielsen Retail Pricing Update - 2/17/96 (week-ending)

SUMMARY

The retail pricing environment continues to be characterized by relative stability on most major brands with the exception of Camel, Newport and GPC.

- The average pack price gap between Marlboro and the Lowest Discount brand was unchanged both week-to-week and on a four week basis.
- Marlboro's average pack price disadvantage (≥10¢) with Camel increased +3 points this week as RJR increased money-off promotional support on Camel.
- Basic's disadvantage with the Lowest Discount brand reached its highest 4wk level since w/e 7/1/95 driven by increased GPC and Doral money-off activity.
- Newport's money-off incidence and average value was up vs 4wks-ago

Prices and Gaps

- In **C-stores** this week, Marlboro and the Lowest Discount brand average pack prices increased +1¢ each to $1.95 and $1.37, respectively, resulting in a 58¢ or 42% price gap. On a four week basis, Marlboro and the Lowest Discount brand average pack prices were relatively stable.

  Week-to-week the price gap remained stable in all Regions except Region 3. Region 3's price gap narrowed -2 points as decreased money-off activity on Montclair, Best Value, RJR PL and GPC increased the Lowest Discount average pack price. Conversely, on a four week basis Region 3 was the only Region to have an increase in the price gap as RJR PL increased money-off support in the latest 4 weeks.

					Chg. vs. WAGO		4WK vs. 4WAGO	
	MARL	LOWEST DISC	$ GAP	% GAP	$ GAP	% GAP	$ GAP	% GAP
NTNL	$1.95	$1.37	$0.58	42.1%	$0.00	-0.4%	$0.00	-0.3%
R1	$2.11	$1.57	$0.54	34.6%	$0.00	-0.2%	$0.00	-0.6%
R2	$1.78	$1.18	$0.60	50.4%	$0.00	0.0%	-$0.01	-1.4%
R3	$1.89	$1.34	$0.55	41.2%	-$0.02	-1.6%	$0.01	1.4%
R4	$1.92	$1.36	$0.56	41.1%	$0.00	-0.2%	$0.00	-0.3%
R5	$2.13	$1.49	$0.64	42.8%	$0.00	0.2%	$0.00	-0.4%

- In **Supermarkets** (w/e 2/10), Marlboro's average carton price increased +11¢ week-to-week to $17.07 as Marlboro's money-off support decreased to 1% of stores. The Lowest Discount brand average carton prices remained relatively stable (-8¢) at $12.63 resulting in a +2 point increase in the price gap to $4.44 or 35%.

  On a four week basis, Marlboro's price gap was up +1 point as promotional support was reduced to 2% of supermarkets with the largest promotional declines occurring in Regions 2 and 5.

					Chg. vs. WAGO		4WK vs. 4WAGO	
	MARL	LOWEST DISC	$ GAP	% GAP	$ GAP	% GAP	$ GAP	% GAP
NTNL	$17.07	$12.63	$4.44	35.2%	$0.19	1.8%	$0.20	1.2%
R1	$18.74	$14.96	$3.78	25.3%	-$0.06	-0.5%	-$0.15	-1.5%
R2	$15.23	$10.96	$4.27	39.0%	$0.03	0.5%	$0.39	3.0%
R3	$16.78	$12.44	$4.34	34.9%	$0.64	5.3%	-$0.03	-1.0%
R4	$17.10	$12.84	$4.26	33.2%	-$0.03	-0.2%	$0.26	1.7%
R5	$18.70	$13.30	$5.40	40.6%	$0.42	4.2%	$0.38	3.3%

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Marlboro's Price Disadvantage

- In **C-stores**, Marlboro's price disadvantage with Camel increased +3 points versus week-ago and +1 point on a four week basis to 28% of stores (its highest level since the w/e 12/23/95) as Camel increased its money-off support to 38% of stores.
- Incidence of Marlboro's price disadvantage with Winston remained relatively stable versus week-ago while declining on a four week basis.
- Incidence of Marlboro's price disadvantage with Newport was down -2 points versus week-ago corresponding with a -2 point decrease in Newport money-off incidence. However, on a four week basis, Marlboro's disadvantage was up +5 points as Newport's 4wk money-off levels remained +3 points above 4wks-ago.

	NO DISAD	10¢-19¢	20+¢	ANY DISAD	AVG $ DIFF*
Marlboro vs Camel	72.3%	7.3%	20.4%	27.7%	$0.33
Chg vs Last	-2.6%	-1.0%	3.6%	2.6%	$0.01
4WK vs 4WAGO	-1.0%	1.5%	-0.5%	1.0%	$0.01
Marlboro vs Winston	77.1%	8.7%	14.2%	22.9%	$0.25
Chg vs Last	0.6%	-0.2%	-0.4%	-0.6%	$0.00
4WK vs 4WAGO	2.4%	-1.0%	-1.4%	-2.4%	$0.00
Marlboro vs Newport	74.5%	3.4%	22.1%	25.5%	$0.34
Chg vs Last	1.5%	0.1%	-1.6%	-1.5%	($0.02)
4WK vs 4WAGO	-4.5%	2.1%	2.4%	4.5%	($0.01)

*Avg $ disadvantage among stores with a disadvantage ≥ 10¢

Basic's Price Disadvantage

- In **C-stores**, incidence of Basic price disadvantage (>10¢) with the Lowest Discount brand decreased -2 points this week to 69% of stores as Doral, RJR PL, GPC and Montclair decreased money-off activity. On a 4 week basis, Basic's disadvantage increased +3 points as Basic money-off support declined to base Flex Fund levels.

	% STRS > 10¢	CHG VS LAST	4WK VS 4WAGO	AVG PRC DIFF	CHG VS LAST	4WK VS 4WAGO
BASIC vs. LOWEST DISC	69.4%	-1.7%	3.2%	$0.33	$0.00	$0.00
BASIC vs. GPC	51.8%	-0.1%	4.0%	$0.23	-$0.01	-$0.01
BASIC vs. RJR PL	85.3%	-2.7%	3.9%	$0.39	$0.01	$0.00
BASIC vs. DORAL	38.6%	-2.3%	0.8%	$0.25	$0.01	-$0.01

<=99¢ Incidence

- ≤99¢ incidence decreased -1 point vs. week-ago to 16% of stores as Montclair decreased its presence at this price point. On a four week basis incidence remained stable.

	≤99¢	Chg. vs. WAGO	4WK vs. 4 WAGO
NTNL	16.0%	-0.7%	0.2%
R1	3.0%	-1.5%	0.8%
R2	33.2%	-0.5%	-1.4%
R3	11.9%	0.0%	1.2%
R4	18.1%	-1.5%	0.6%
R5	6.9%	-0.1%	-0.6%

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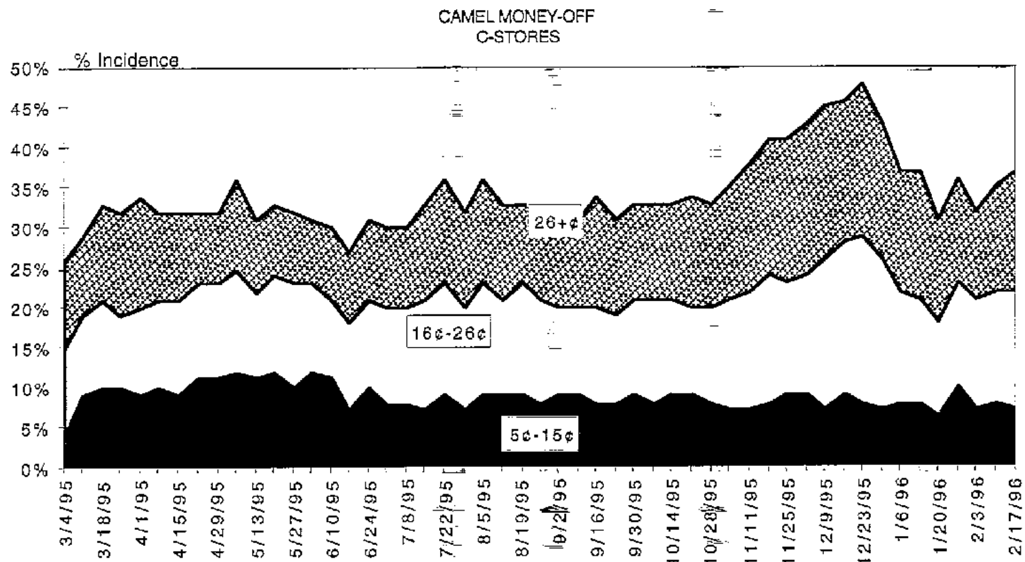
EMERGING TRENDS

- In C-stores, Camel increased money-off support +3 points this week to 38% of stores with an average pack money-off value of 29¢. The majority of this increase was from money-off values greater than 26¢.
- Stores with Camel money-off deals were somewhat skewed toward Region 1.



CAMEL MONEY-OFF STORE PROFILE
C-STORES

	Stores With Money-Off	Balance Of Stores
REGION		
R1	20	15
R2	23	24
R3	22	20
R4	20	24
R5	15	17
RETAIL MASTERS STATUS		
No	36	36
Non Exclusive	63	62
Exclusive	2	2
COUNTY SIZE		
A	30	32
B	41	43
C	17	16
D	12	9
STORE SIZE		
Small	58	58
Large	42	42
OWNER		
Chain	75	79
Independent	25	21

ie. While 20% of stores with Camel money-off were in Region 1, only 15% of all other stores were in Region 1.

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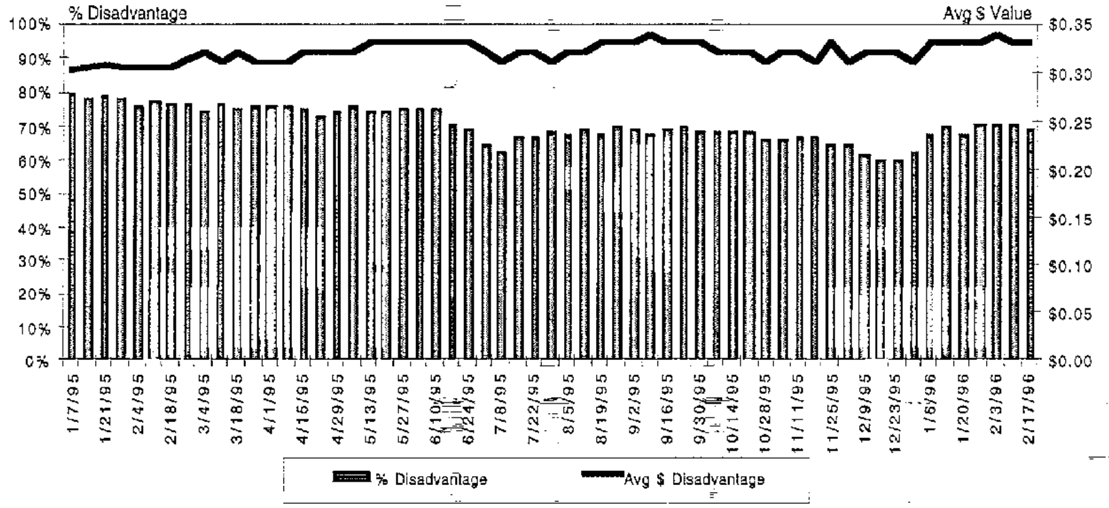
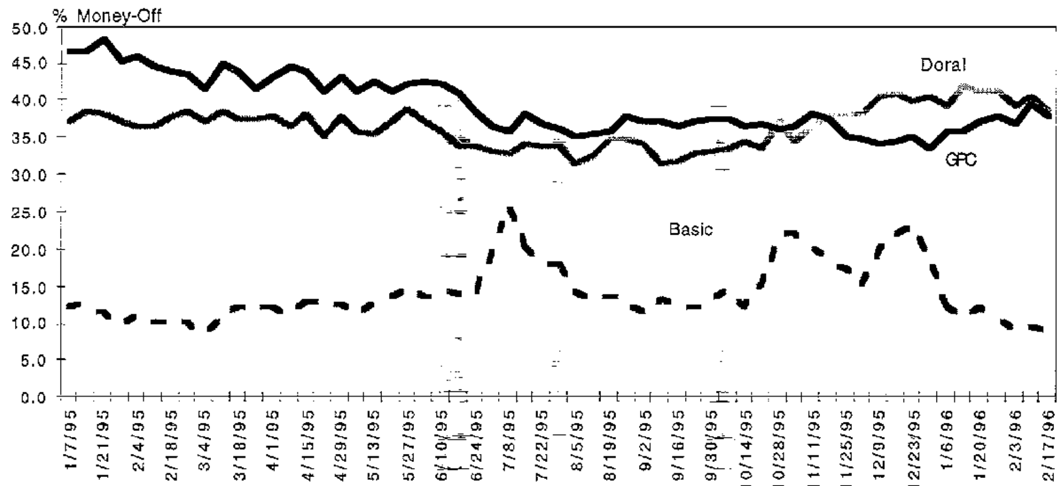
- In **C-stores**, Basic's 4wk average disadvantage (70%) with the Lowest Discount brand was at its highest level since w/e 7/1/95 as GPC and Doral continue money-off support in the first quarter '96.

BASIC'S DISADVANTAGE VS LOWEST DISCOUNT
C-STORES



DORAL AND GPC PROMOTIONAL ACTIVITY
C-STORES



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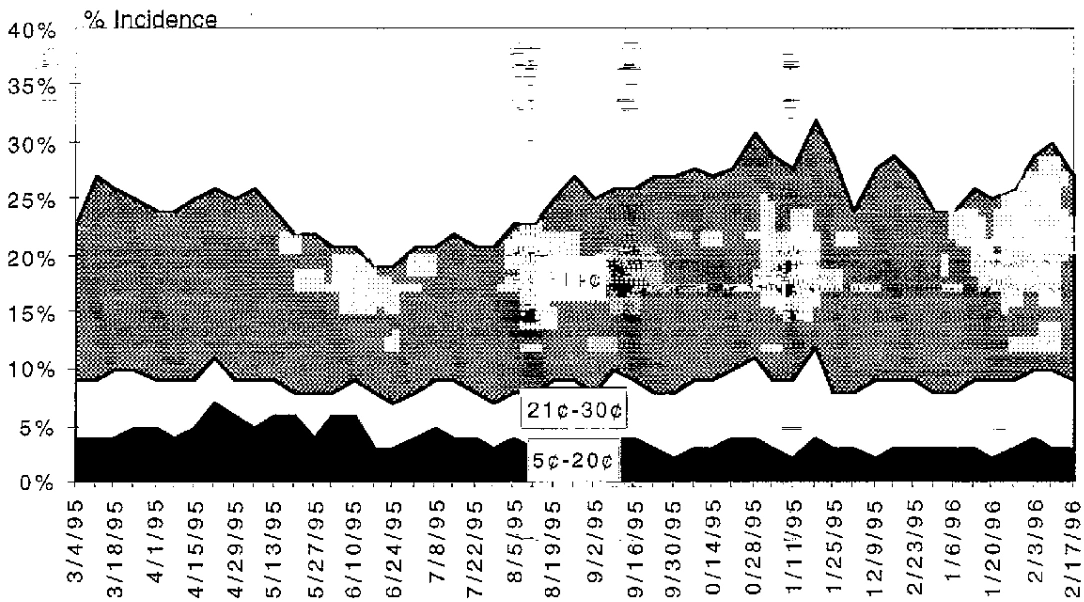
- In **C-stores**, Newport's 4wk average money-off incidence and value was up +3

points (to 28%) and 1¢ (to 36¢), respectively.

NEWPORT MONEY-OFF
C-STORES



Distribution:

S. Albimino
R. Anise
M. Anton
V. Barrus
D. Beran
D. Berenson
G. Bible
G. Blumenson
J. Bonhomme
M. Burgess
B. Burns
J. Chaump
N. Conrad
J. deCastro
D. Devitre
P. Dodd
J. Dwyer
N. Ellis
G. Fawcett
P. Fernandez
R. Ferrin
S. Fuller
L. Funess
G. Galanti-Bennis
T. Garguilo
E. Gawronski
E. Gee
Y. Girgado
A. Goldfarb
M. Gordon
M. Grande
J. Greene
H. Harwood
K. Huray
A. Hyland
D. Himmel
J. Intogna
A. Jackson
S. Jannetta
L. Johnson
R. Kruk
L. Larkins
T. Lauinger
K. Leger
S. LeVan
C. Levy
A. Lewis
J. Lichtman
D. Lipka
H. Long
L. Lubrano
N. Lund
M. Mahan
J. Margolis
P. McCarthy
K. McEncroe
T. McGovern
S. Medakkar
R. Mikulay
D. Moore
J. Morgan
D. Murphy
M. Murphy
B. Neidle
J. Nelson
E. Ng
N. Nicholes
A. Padoan
P. Paoli
S. Patel
B. Piccolino
S. Piskor
L. Poole
D. Potter
S. Rafferty
T. Resman
D. Rubin
S. Rush
J. Ryder
T. Saloun
J. Sansone
M. Salzman
R. Sarmento
E. Schneidman
M. Schroeder
B. Schuyler
A. Schwartz
B. Shah
A. Sinha
M. Slone
J. Steere
D. Streng
N. Suter
M. Szymanczyk
D. Tapscott
L. Theaman
J. Tucker
R. Weiner
B. Weinstein
L. Wexler
J. Whitson
K. Winkler

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